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MUNICIPAL OWNERSHIP OF NATURAL MONOPOLIES.

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THE question under discussion relates to the ownership and management of those local businesses which furnish what are called public utilities. The principal classes of these public utilities are water, light and transportation. They are called monopolies because, as we know from experience, we cannot have in their case effective and permanent competition.

It is often said that we do not want to decide the question of municipal ownership in accordance with general principles, but that each case should be decided as it arises. If New York City desires public ownership of water-works, it is urged, let New York City by all means try the experiment. But let New Haven, if the people of that city so desire, continue private ownership of water-works. Still others say, let us adhere to private ownership until we find that we have made a serious mistake in so doing. Both these attitudes imply the renunciation of science, or a denial of the possibility of a scientific solution of the problem. Imagine such an attitude in engineering as applied, let us say, to bridge-building. The result would surely be disaster. The outcome of this attitude in what we may call applied economics or social engineering has likewise been disastrous. Mistakes have been made which it has not been possible to correct, or which have been corrected with great loss. The private ownership of water-works in London, which still persists, although recognized to be an evil many years ago, affords an illustration. If at length this evil is corrected, it will cost the taxpayers many millions of dollars which might have been saved. Innumerable illustrations could be afforded, did space permit. What must be desired by any one

who has an appreciation of the nature of modern science, is the establishment of general principles whereby mistakes may be avoided and loss prevented. The practical man will naturally take into account the actual, concrete condition in his application of general principles. The social engineer must, in this particular, follow the practice of the mechanical engineer.

When we approach the question of public ownership *versus* private ownership of such great industries as those connected with artificial light and transportation, our attention is attracted by the municipal corruption which exists, particularly in our own country. The fact of this municipal corruption, and also the further fact of the very general incompetency in the management of municipal affairs, are not called in question, and they are not under discussion. The corruption and incompetency may not everywhere be so bad as many pessimists imagine, and it may, furthermore, be true that, in both respects, we have in many cities witnessed gratifying improvement. Yet, when we have made these admissions, the true state of the case is bad enough. The civic conscience with us is slow of development. The satisfactory performance of public duties implies, in some particulars, a higher civilization than we have reached. It requires some development of the imagination to see the harm and suffering brought to countless individuals by lapses in civic virtue. Furthermore, it implies a higher development of conscience than that found in primitive man, to reach that state in which there is a conscious desire to abstain from all acts which may hurt people who are not seen. Many a man will give to a poor widow, whom he sees, money to relieve her distress, but, at the same time, will not hesitate to increase the burdens of poor widows whom he does not see, by fraudulent evasion of taxation.

The sort of men now in our municipal councils are not the kind of men to whom we would gladly turn over vast business interests. The very thought repels us. Whether or not they are morally better or worse than the men who in many cases are said to corrupt them, and who now exercise an important influence in the management of privately owned public utilities, it is freely conceded that they are less fit for the conduct of important businesses. We want street railways managed by men who understand the street-railway business, gas-works managed by men who understand the gas business, and neither class of enterprises man-

aged by men whose gifts are most conspicuous in the partisan manipulation of ward politics. It is important that it should be understood that the advocates of municipal ownership do not call in question the fact of municipal corruption and inefficiency in the management of public business, and that they have no desire to turn over the management of public utilities to a class of men who must still be considered typical in the municipal council of the great American city.

But when we have admitted freely corruption and inefficiency in municipal government, it still remains to examine into the causes of these conditions, for there is a very widespread suspicion that a large share of the responsibility therefor must be laid at the door of private ownership. A real, vital question is this: Would we have the same class of men in our common councils which we now find there, should public ownership replace private ownership? Is it true that private ownership places in office and keeps in office some of our worst municipal wrong-doers? It is important that the reader should understand the real nature of the problem under discussion, and it is believed that these questions which have just been asked bring before us a large part of that problem. This important problem, the solution of which is of national significance, should be approached with no partisan bias, and no angry recriminations or denunciations should be tolerated. The spirit of the injunction, "Come, let us reason together," should be the spirit of approach.

We must clearly and sharply fasten in our minds the indisputable fact that, with respect to public utilities of the sort under discussion, we are confined to one of two alternatives. These alternatives are public control of private corporations, and public ownership with the public control which naturally springs from ownership. The experience of the entire civilized world has established the fact that we are restricted to these alternatives. We may have private street-railways, private gas-works, private water-works, etc., but in that case it is invariably and in the very nature of the case necessary to exercise public control over their operations. Charges must be regulated, general conditions of service must be prescribed, and regulation must be found for a thousand and one cases in which public and private interests touch each other. This is because, on the one hand, the nature of the service rendered is in such a peculiar

degree a public service, and also because the effective control of full and free competition is absent. We may, on the other hand, choose public ownership and management. We could, of course, separate public ownership from public management, and consider each one. In other words, we could have a publicly owned urban transportation system with private operation. Generally, public ownership and public management go together, and in the limited space at our disposal we will not undertake to separate them.

It is freely granted that either one of our two alternatives presents immense difficulties. This is a further point concerning which there can be no controversy among those who really understand the nature of the case. The evolution of industrial society has again brought us problems most difficult of solution. If we may use the language of design, history teaches us that Providence does not intend that men organized in society should have what we are always looking for in the future, namely, an easy-going time. Every age has its problems. In one age they may be brought by the inroads of barbarians, in another age by famine and pestilence, in another age by international wars. We have been dreaming of a coming time when no social problems should vex society; but, if history teaches us anything, it shows us that in such dreaming we are indulging in Utopian aspirations. Every civilization has been tested heretofore, and every civilization must have its test in the future, our own included. One of the tests of our civilization is the ability to solve the problem under discussion.

The question which confronts us is this: Which one of the two alternatives promises in the long run the best results?

Those who talk glibly about public control of those private corporations owning and operating public utilities frequently exhibit a sad ignorance of what their proposed remedy for existing evils means. They think in generalities, and do not reflect upon what control means in details. We have to observe, first of all, that public control of private corporations furnishing public utilities so-called means a necessary antagonism of interests in the civic household. Human nature is such that those who are to be controlled cannot be satisfied with the control exercised. However righteous the control may be, those who are controlled will frequently feel themselves aggrieved and wronged, and will try to escape the control. It is, furthermore, a necessary outcome of human nature that those persons who are to be controlled should

enter politics in order that they may either escape the control, or shape it to their own ends. Again, we must remember what vast aggregations of men and capital it is proposed to control. The men owning and operating the corporations which furnish public utilities are numerous, and they maintain large armies of employees of all social grades, from the gifted and highly trained attorney to the unskilled laborer. The amount of capital involved in a great city is counted by tens of millions. The very nature of the case brings it about that there should be persistent, never-ceasing activity on the part of those to be controlled. The effort to escape from this control, or to shade it, is a part of the efforts by which men earn their livelihood, and their activity is as regular as their hunger. The efforts of patriotic and high-minded citizens, in their self-sacrificing neglect of their private affairs to look after public concerns, may grow weary, but not so the activity of the corporations to be controlled. Can a task of greater difficulty be well suggested? It is not said that the problem here presented is one which it is impossible for modern civilization to solve; but it is well that the general public should know precisely what it means. Some of us are to control others of us, and to do so against their will. But who are those whom we are asked to control? They are very frequently our friends and neighbors. I am asked to resist what is esteemed the extortion of a gas company; but one of the gas magnates may be my neighbor and friend, and occupy a pew next to mine in church. Perhaps the gas magnate is my employer. Perhaps he has just contributed, and with the best intent in the world, one hundred dollars to an object which I have greatly at heart. Perhaps I am a college professor, and the street-car magnate whose rapacity I am called upon to help hold in check has endowed the chair which I occupy. Imaginary illustrations can be continued indefinitely, and those who desire to do so can in any city make them sufficiently concrete. Is it strange that many of us who are called upon to control others of us should simply refuse to do it?

In so brief an article as this must be, it is possible to do little more than to throw out suggestions. It is noteworthy that in Massachusetts public control of corporations furnishing public utilities has been tried more persistently than anywhere else, and that in that State there is a stronger sentiment than anywhere else in the Union in favor of public ownership and public manage-

ment. Serious charges have been brought against the Board of Gas and Electric Lighting Commissioners, which has to exercise control over gas and electric-lighting plants. Even a paper of the standing of the *Springfield Republican* has felt called upon to rebuke the board severely for keeping secret information which it has gathered. The attitude of the board is characterized as "extraordinary." "If the board," says the *Springfield Republican*, "is empowered to keep secret what information it is pleased to, how are the people to know that they may not become a mere agency of the monopolies to cover up and justify their possible undue exactions?" Insinuations of this kind are frequently heard in Massachusetts. Dismissing all charges of corruption and bad intention, we have as a net result a strong movement in Massachusetts, away from private ownership of public utilities, to public ownership.

The writer has followed this subject, and the trend of opinion with respect to it, for fifteen years with some care. In his own judgment the trend in favor of public ownership is marked and surprising. He has seen one investigator after another start with prepossessions in favor of public control of private corporations, and turn away from that position as a hopeless one, and take up a position in favor of public ownership as the only practicable solution under our American conditions. There lies before the writer a letter recently received from an attorney, a member of a well-known firm in one of our great cities. This lawyer has been forced by experience to abandon the position in favor of private ownership. He says, as the result of long-continued and self-sacrificing efforts to improve politics in his own city:

"The alleged benefits of regulation are practically as impossible as an attempt to regulate the laws of gravitation, for our legislative councils are nominated, elected and controlled by forces too subtle and insidious to be attacked, and even to be known. * * * A community cannot regulate against millions of dollars organized to prevent it. This temptation disappears, however, when the municipality becomes the owner."

The difficulties of public ownership are not to be denied. They lie on the surface. The problem in the case of public ownership is to secure men of talent and experience to conduct these enterprises, and keep them in office during good behavior; to engage men for all positions on the basis of merit, and, while retaining vast armies of employees, to enact such legislation and

administrative reforms as will prevent employees of the city, engaged in furnishing public utilities, from either using their political power for their own selfish ends, or from being used for partisan purposes. This implies, on the part of society, an appreciation of excellence of service, and a thorough-going reform of municipal civil service. Politicians of the baser sort, and all those who have selfish ends to be gained by political corruption, will work against such reform. On the other hand, public ownership with public operation presents the issues in a comparatively simple form. The clarification of issues is, indeed, one of the strong arguments in favor of municipal ownership. Who knows to what extent employees on the street railways of Baltimore, Philadelphia, New York and Chicago are appointed through the influence of politicians? It is known, however, that many appointments are made through the influence of politicians of precisely the worst sort. It is furthermore known that these corporations are now generally in politics. But because the corporations furnishing these public utilities are owners of private property, and because they conduct a business which is only quasi-public, the political corruption with which they are connected is hidden and obscure, and voters are confused and perplexed. Public ownership carries home to every one the importance of good government, and arrays on the side of good government the strong classes in a community now so often indifferent. Frequently men who are powerful in a community, in working for good government, work against, rather than for, their own private interests. It is, indeed, gratifying to see men of wealth, as frequently as they do, turn aside from selfish considerations to promote measures calculated to advance the general welfare. But can we expect this kind of conduct persistently from the great majority? Have we any right to expect it? A personal allusion is sufficiently instructive to warrant reference to it. When the writer had invested what was for him a considerable sum in gas stock, he tried to answer for himself this question: As an owner of gas stock, exactly what kind of a municipal government do I want? The government of the city in which was located the gas-works in which the writer was interested was a stench in the nostrils of reformers throughout the country; but he could not persuade himself that as an owner of gas stock any very considerable change was for his interest. The city government, as it then was, was a "safe" one, and the result of a change

could not be foretold. Is not this, as a matter of fact, the solution of the problem which owners of stock in street railways, gas-works and similar enterprises generally reach when they look at municipal reform solely from the point of view of self-interest? And can we, then, be surprised at a certain apathy and indifference on the part of what are called the "better classes" in a community? Men of great wealth have been known to work directly against their own narrow interests for the public weal, but has an entire class of men ever been known to do this?

A further result of municipal ownership would be a better balance between private and public interests, and this better balance would strengthen the existing order against the attacks of socialists and anarchists, on the one hand, and unscrupulous plutocrats, on the other. A balance between private and public enterprise is what is fundamental in our present social order, and a disturbance of this balance consequently threatens this order. This balance is favorable to liberty, which is threatened when it is disturbed either in the one direction or the other. Any one who follows passing events with care cannot fail to see that it is menaced by socialism, on the one hand, and by plutocracy, on the other. A man of high standing in Philadelphia, himself a man of large wealth, when presiding at a public meeting recently, stated, practically in so many words, that a professor in a school of some note had lost his position on account of a monograph which he wrote in relation to the street railways of that city. This monograph was temperate in tone, and its scholarly character elicited commendation on all sides. We need not go into the merits of this particular case, but we cannot fail to notice disquieting rumors in regard to the attacks upon freedom of speech, which are an outcome of private ownership of public utilities. There is a widespread apprehension that the utterance of opinion upon one side promotes one's interest, and that the utterance of opinion upon the other side may prove damaging. Mathematical proof cannot be well adduced, but readers can, by careful observation, reach a conclusion as to the question whether or not our industrial order is menaced by plutocracy, always bearing in mind that plutocracy does not mean honestly gotten and honestly administered wealth. There are good rich men, and bad rich men, as there are good poor men, and bad poor men. Does private ownership of public utilities, on the one hand, tempt rich men to wrong

courses of action, and does it, on the other hand, place great power in the hands of unscrupulous wealth?

In an article restricted as the present is, it is impossible to go statistically into experience. The question may be raised, however, Has any one ever noticed an improvement in municipal government from a lessening of the functions of municipal government? Can any one point to a municipal government which has improved because its duties have been diminished, and the number of its employees lessened? If we turn away from local government, do we find that it is through the lessening of the function of government in general that an improvement is achieved? At one time, the Italian government operated the Italian railways. Later, it leased the railways to a private corporation. Has this retirement of Italy from the operation of the railways produced a regeneration in public life? As we travel over this country, and observe the course of local government, do we not, on the contrary, find that, on the whole, it has improved as its functions have increased, and as it appeals directly and effectively to larger and larger numbers? The case of England is a very clear one. If we go back fifty years, we shall probably find that the government of English cities was quite as bad as ours is now. During the past fifty years, there has been a continuous improvement, and this has accompanied continual expansion of municipal activity, while at the same time, through an extension of the suffrage, English municipal government has become increasingly democratic in character. We must hesitate about establishing a casual connection between these two movements, but is it unnatural to suppose that there may be such a connection? When there is a great deal at stake, when the city has much to do, good government of the cities appeals to all right-minded persons; and if there is no division of interests through private ownership, we ought, in a civilized community, to expect to find all honest and intelligent people working together for good government. A tangible basis is afforded the masses for an appeal for higher interests, and reliance is placed upon municipal self-help. Instead of asking other people to do things for them—namely, great private corporations—the people are told to help themselves.

Mistakes and wrong-doing must be anticipated under either one of our two possible systems. What about the relative serious-

ness of the mistakes and wrong-doing, however? We have a certain demoralization in each case, and a certain loss. While in the case of public ownership we have an opportunity to recover from mistaken action, in the case of private ownership mistaken and wrong action is often irretrievable in its consequences. Take the case of New York City as an illustration. Jacob Sharp secured a franchise for the Broadway surface railway through wholesale corruption, and was sent to the penitentiary. The franchise, however, was retained by those into whose hands it fell, and others have entered into the fruits of his theft. Under our American system of government, in cases of this sort stolen goods are retained. The franchises are retained, and the forgotten millions continue to suffer, because their rights have not been adequately safeguarded. With the other policy, namely, that of public ownership, how different would be the result? If the street railways were mismanaged, or their earnings stolen, it would be sufficient to turn out the municipal plunderers. Too many overlook what is distinctively American in our problem; namely, our constitutional system, which protects franchise grants when once made, and renders so irretrievable a mistaken policy, provided we have the system of private ownership.

Let it be distinctly understood that the position is not taken by the present writer in favor of municipal ownership at any and all times, and everywhere, and under all circumstances. It must come in the right way, it must come deliberately, and it must come provided with adequate safeguards. It must come as a part of other movements, especially of full civil service reform. But it is calculated in itself to promote these other reforms, and in some cases municipal ownership will be the first step in the direction of that full civil service reform which is so sadly needed. In some cases civilization may be in too low a condition to permit municipal ownership. The socialization of public sentiment which must lie back of proper social action may not have gone far enough. The question is: Have we the social man back of the social action which we advocate? If we are talking about the heart of Africa, with its individualistic blacks, unquestionably we have not the social man which would make possible any considerable amount of social action. Among barbarians and semi-civilized people the few must do things for the many. Social action must not be forced down from above, and it must not come

accidentally, if it is to be successful. It must come as the result of full and free discussion, and of full and free expression on the part of the people. It is on this account that the initiative and referendum, in a country like ours, may properly accompany the social action. Have we in our own country the social man to back social action? If he does not everywhere exist, he is coming, and coming rapidly, and the amount of social action which the socialization of sentiment makes possible and desirable increases in proportion as he makes his appearance. The question of municipal ownership is a question of social psychology. It turns on the nature of the social mind.

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